



UN-OHRLLS

UNITED NATIONS OFFICE OF THE HIGH REPRESENTATIVE FOR THE
LEAST DEVELOPED COUNTRIES, LANDLOCKED DEVELOPING
COUNTRIES AND SMALL ISLAND DEVELOPING STATES



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Side event at the Global SDG7 Conference

Energy access for structural transformation and sustainable development in the LDCs

21 February 2018, 10:10 – 11:40 AM

ESCAP, Meeting Room F

A side-event organized by United Nations Conference on Trade and Development (UNCTAD) and United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS).

Background

The LDCs have made extraordinary progress in increasing access to electricity, which has more than tripled from 12 per cent to 38 per cent since 1990. But this still leaves 62 per cent of their people without access. By 2014, the majority (54 per cent) of people without access to electricity worldwide were living in LDCs — more than four times their share in the world population (13 per cent) and approaching double the proportion in 1990 (30 per cent). These gaps are not limited to electricity, since access to modern fuels for cooking and heating is still more limited in these countries.

Energy access is particularly important to rural development, which is central to poverty eradication. In the initial stages, electrification typically occurs mainly in urban areas, while rural areas catch up only later. Consequently, access is much greater in towns and cities than in rural areas, and 82 per cent of people without access to electricity in LDCs live in rural areas.

Facing the challenge of universal access in LDCs means adopting a broad focus which caters for the needs not only of households, but also of producers (in agriculture, industry and services) and public services (hospitals, schools, streets, etc.), as well as paying special attention to rural areas.

Failings in the electricity system can act as a brake on structural transformation — and nearly half of all firms in LDCs identify electricity as a major constraint on their full operation. Weak electricity systems in most of these countries result in unreliable supplies and frequent power outages, giving rise to income losses for producers and additional costs for imported back-up generators.

On the other side, the economic benefit of access to modern energy lies in its potential contribution to structural transformation of the economy, increasing productivity and providing new opportunities for the development of higher-value-added activities. This is essential to realizing in full its potential contribution to achieving the wider ambitions of the 2030 Agenda and the Istanbul Programme Action for the Least Developed Countries for the decade 2011-2020.

Central to this is ensuring that electricity is available, not only to meet such basic domestic needs as lighting, but also for use in productive processes. Energy access alone will not be enough; what is needed is transformational energy access, meeting the needs of producers for reliable and affordable supplies of the kinds of energy they need on an adequate scale.

Productive use of electricity is essential to making investment in electricity generation and distribution economically viable. The high capital costs require a certain level of demand to make investments viable; and productive use can both increase demand directly and strengthen residential demand by raising incomes. The energy-transformation nexus expresses this two-way relationship: from access to electricity, through productive use, to structural transformation, and from structural transformation, through increased demand, to increased investment in electricity supply and distribution. It is central both to economic development and to the goal of universal access. Productive use of electricity is central to that relationship. It provides both the means by which access is able to transform the economy, and the additional demand that strengthens the viability of investments in the electricity sector.

In rural areas, rapid technological progress in renewable energy technologies, and associated cost reductions, are opening up an unprecedented opportunity for electrification of rural areas through decentralized generation and mini-grids.

Reaching universal access to modern energy in LDCs by 2030 will require massive investments, strengthening international cooperation with LDCs in terms of finance, capacity-building and technology, exploiting the potential of new technologies (e.g. mini-grids, new forms of renewable energy) and strengthening institutional and regulatory capacities. Current global estimates suggest that the investments required to achieve universal access to electricity in all LDCs by 2030 are of the order of \$12 billion to \$40 billion per year. However, domestic resources for investment in LDCs fall far short of these levels, and even after a rapid increase over the past decade, official development assistance (ODA) to the electricity sector in LDCs is barely one tenth of this level.

The side event will discuss the priority areas for action by both LDCs and their development partners in the path towards SDG7.

Key questions to be discussed at the side event include:

- How should LDCs best steer their sustainable energy mix to support structural transformation and poverty eradication?
- To what extent do present energy policy choices of LDCs condition the longer-term composition of output, employment and trade in these countries?
- What are the possible financing alternatives to cover LDCs' huge energy investment needs?
- What is the potential for more energy-efficient technologies and cost reductions in renewable energy (including biofuel technologies) in LDCs?